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SIPDIS

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TAGS: [ECON](#) [PGOV](#) [EAID](#) [PINR](#) [YM](#) [WTRO](#) [ECON](#) [COM](#)

SUBJECT: YEMEN'S ECONOMY AS SEEN BY WORLD BANK ECONOMISTS

[1](#)1. Sensitive But Unclassified, please protect.

[1](#)2. (SBU) Summary: Two World Bank economists in Sanaa are complimentary about the ROYG's fiscal policy and commitment to reforms. In a March 17 discussion with Emboffs, the bank economists gave positive assessments of Yemeni fiscal discipline, currency management and WTO prospects. End Summary.

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Fiscal Policy  
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[1](#)3. (SBU) World Bank Senior Economist for Yemen Nadir A. Mohammed (please protect throughout) and Economist Mohammed Al-Sabbry both have positive forecasts for the Yemeni economy despite Yemen's per capita income of \$460 USG, literacy rates of 56 %, and prospects for oil revenues dwindling in the next five years. Nadir said that while they have a huge challenge, the Yemenis are on the right track. Citing five billion dollars in foreign reserves, he said the ROYG compared favorably to other countries that have spent their recently increased oil revenue less wisely. (Note: Yemen Central Bank Figures for February report 4.75 Billion USG in Reserves. End Note.) Mohammed said that he was impressed with the frankness and openness of his Yemeni contacts, and felt that the ROYG's fiscal policy was sound. He said that the ROYG appears to have learned lessons from 1991 (the first Gulf War), and 1994 (the abortive rebellion in the South).

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Currency  
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[1](#)4. (U) Nadir also praised the ROYG Central Bank for holding firm on its decision to float the rial. Nadir's point was confirmed when on March 19 Pol/Econoff visited Omar S. Bazara, the Payment Systems Director of the Yemeni Central Bank. He reported that the Central Bank was selling dollars to keep the rial from slipping further on the dollar as a result of worries about an attack on Iraq. For the last month, the rial had held firm at 182 riyals to the USG dollar, but yesterday the rate had increased to 183 Yemeni riyals to the dollar. One of our FSNs reported that same day that the black market rate had risen to 186 riyals to the dollar.

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Yemen's Bid to Join the World Trade Organization  
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[1](#)5. (U) Mohammed was optimistic on the ROYG's prospects for a faster than average accession to the World Trade Organization. He estimated that it could take four to five years, less than the average seven to eight years, because Yemen's neighbors and others are unlikely to press strong objections to Yemen's candidacy. (Background: In October 2002, Yemen submitted its Memorandum on Foreign Trade Regime to the World Trade Organization. End Background.)

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Fishing Rights  
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[1](#)6. (U) Mohammed Al-Sabbry said that the Bank was closely following USG efforts to improve the capacity of the Yemeni Coast Guard and Navy because the illegal harvesting of fish has adversely affected the Yemeni fishing industry. Specifically, Chinese fishermen take their boats to the Red Sea to harvest and process their fish. According to Nadir Mohammed, the Chinese obtain licenses for a lower amount of fish, then through bribery of unnamed Yemeni officials, vastly exceed their allotment. Fishermen from Egypt, Eritrea and Ethiopia also have been over-fishing in Yemeni territorial waters. Al-Sabbry said that Bank experts are worried that if Yemen promotes fish exports too heavily, the waters might be over fished, damaging a potentially lucrative resource for the ROYG. Thus, any effort to improve the ability of the ROYG to protect their fishing rights will have a direct impact on the local economy.

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Boycott on US/Israeli Products  
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17. (U) Pol/Econ Chief noticed a sticker pasted onto the front door of the Jordanian owned restaurant calling for a boycott of American and Israeli products. He wondered aloud in the owner's presence why the sticker was so prominently displayed. After the meal, Pol/Econ chief noticed that the sign had been removed. However, other contacts report mixed results for the boycott of US and Israeli goods. The local Pepsi distributor told one of our FSNs that he had seen only a 10% decline in business in 2002, noting that this decrease was much less than Pepsi had felt in other countries. A colleague at the British Embassy related a story about taking a delegation of nine British security officials to do some shopping at a store where a boycott sign was displayed. The team made the removal of the sign a condition of doing business with the store, but the owner refused to comply and the team went elsewhere.

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Bio Note  
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18. (SBU) Nadir Mohammed said that he was born in the Sudan, and received his doctorate in Economics from Cambridge University where he also completed his post doctoral studies and did some teaching. He has worked at the Islamic Development Bank in Washington, and has held jobs with the World Bank in Morocco, Ethiopia and Egypt. He expects to leave Yemen in the coming year and said he would like an assignment in Southeast Asia.  
HULL